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August 12, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **COMMUNITY AND SENIOR SERVICES – REVIEWS OF WORKFORCE
INVESTMENT ACT SERVICE PROVIDERS – FISCAL YEAR 2014-15
SUMMARY REPORT**

At the request of Community and Senior Services (CSS), we completed the program, fiscal, and administrative contract compliance reviews of all 15 Workforce Investment Act (WIA) Programs service providers. The WIA Programs assist individuals in obtaining employment, retaining their jobs, and increasing their earnings by completing a comprehensive employment assessment of the clients, providing career counseling and planning, assisting with job searches and resume preparations, and when necessary, offering customized occupational and/or on-the-job training.

CSS paid the 15 WIA Programs service providers approximately \$26 million on a cost-reimbursement basis during Fiscal Year (FY) 2014-15. Our reviews covered a sample of transactions for each service provider from FYs 2013-14 and 2014-15.

Results of Reviews

We identified \$908,580 in questioned costs billed to the WIA Programs by various service providers. Specifically, we noted:

- \$528,863 in unsupported and/or unallowable FY 2013-14 close-out expenditures.
- \$267,378 in unsupported and/or unallowable FY 2014-15 non-payroll expenditures.
- \$112,339 in unsupported and/or unallowable FY 2014-15 payroll expenditures.

In addition, some of the WIA Programs service providers did not always comply with WIA and County contract requirements. For example, of the 15 service providers:

- Nine (60%) did not always maintain adequate internal controls or comply with their County contract requirements, such as completing bank reconciliations within 30 days of the bank statement date, maintaining accurate and complete accounting records, submitting their Single Audit report within nine months, and obtaining price quotations to support that expenditures were economical, proper, and reasonable to carry out the activities of the Programs as required.
- Three (20%) did not maintain adequate documentation to support their allocation percentages and/or equitably allocate shared expenditures to all benefitting Programs.
- Three (20%) did not accurately pay clients and the clients' time records did not have the employees' and/or supervisors' signatures as required.
- Two (13%) did not accurately report monthly accruals to CSS as required.
- Two (13%) did not obtain the required criminal clearances of staff or comply with their County contract's nepotism policy.
- One (7%) did not maintain adequate documentation, such as proof of income, to support the clients' eligibility.

Based on the results of our reviews, we recommended CSS consider placing one WIA Programs service provider in the County's Contractor Alert Reporting Database. The questioned costs for each service provider and contract compliance issues noted in our reviews are detailed in the Attachment.

Review of Reports

We discussed each report with CSS and each WIA service provider. CSS management indicated they will resolve the remaining questioned costs and contract compliance issues in accordance with their Resolution Procedures Directive.

Due to the number of reviews, copies of individual reports are not enclosed; however, they are available for your review upon request. If you have any questions please call me, or your staff may contact Aggie Alonso at (213) 253-0304.

JN:AB:PH:AA:YP:iw

Attachment

c: Sachi A. Hamai, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Public Information Office
Audit Committee

**COMMUNITY AND SENIOR SERVICES
REVIEWS OF WORKFORCE INVESTMENT ACT SERVICE PROVIDERS
FISCAL YEAR 2014-15**

#	Service Providers	Contract Amounts	Total Questioned Costs	Findings								
				A	B	C	D	E	F	G	H	I
1	Antelope Valley Workforce Development Consortium	\$ 1,428,197	\$ -		(1)							
2	Arbor E&T, LLC (ResCare Workforce Services)	\$ 1,899,569	\$ -									
3	Asian Youth Center	\$ 1,000,000	\$ -				X					
4	Archdiocesan Youth Employment Services of Catholic Charities of Los Angeles, Inc.	\$ 1,000,000	\$ -				X					
5	City of Palmdale	\$ 742,529	\$ -			(1)						
6	Community Career Development, Inc.	\$ 2,557,673	\$ 2,410	\$1,481	\$929		X			X		
7	Goodwill Industries of Southern California	\$ 2,500,143	\$ -									
8	Housing Authority of the City of Los Angeles	\$ 500,000	\$ 13,486			\$ 13,486	X					X
9	Hub Cities Consortium	\$ 3,005,225	\$ -				X					
10	Jewish Vocational Service	\$ 2,216,700	\$ -		(1)				(1)			
11	Los Angeles County Office of Education	\$ 1,000,000	\$ -					(2)				
12	Managed Career Solutions, Inc.	\$ 3,643,567	\$ 3,500		\$ 3,500		X	(2)	(1)		X	
13	Mexican American Opportunity Foundation	\$ 500,000	\$ -				X					
14	Santa Anita Family Service, Inc. (3)	\$ 1,500,000	\$ 889,184	\$527,382	\$262,949	\$98,853	X	X	X	X	X	
15	Southeast Area Social Services Funding Authority	\$ 2,520,436	\$ -				X					
TOTALS		\$ 26,014,039	\$ 908,580	\$528,863	\$267,378	\$112,339						
				2	4	3	9	3	3	2	2	1
				13%	27%	20%	60%	20%	20%	13%	13%	7%

Code Summary

- A Billed for unsupported and/or unallowable Fiscal Year (FY) 2013-14 close-out expenditures.
- B Billed for unsupported and/or unallowable FY 2014-15 non-payroll expenditures.
- C Billed for unsupported and/or unallowable FY 2014-15 payroll expenditures.
- D Nine (60%) service providers did not always maintain adequate internal controls or comply with their County contract requirements, such as completing bank reconciliations within 30 days of the bank statement date, maintaining accurate and complete accounting records, submitting their Single Audit report within nine months, and obtaining price quotations to support that expenditures were economical, proper, and reasonable to carry out the activities of the Programs as required.
- E Three (20%) service providers did not maintain adequate documentation to support their allocation percentages and/or equitably allocate shared expenditures to all benefitting Programs.
- F Three (20%) service providers did not accurately pay clients and the clients' time records did not have the employees' and/or supervisors' signatures as required.
- G Two (13%) service providers did not accurately report monthly accruals to Community and Senior Services (CSS) as required.
- H Two (13%) service providers did not obtain the required criminal clearances of staff or comply with their County contract's nepotism policy.
- I One (7%) service provider did not maintain adequate documentation, such as proof of income, to support the clients' eligibility.

Footnote

- (1) The questioned costs were immaterial, or the contractor repaid and/or credited CSS prior to the issuance of our report.
- (2) We recommended the service providers reallocate shared expenditures to all benefitting programs based on an equitable method and repay CSS for any overcharged amounts.
- (3) Santa Anita Family Service, Inc.'s (SAFS) audited financial statements disclosed significant cash flow issues and their accounting staff did not have appropriate financial accounting knowledge. In addition, as noted in this attachment, SAFS had significant accounting issues and lacked compliance with their other County contract requirements. As such, we recommended CSS consider placing SAFS in the County's Contractor Alert Reporting Database (CARD). As of August 10, 2016, CSS is working with SAFS to resolve their findings and has not placed SAFS in CARD.